

WARNING

This Question Paper **MUST** be returned with your answer book(s) at the end of the Examination, otherwise marks will be lost.

Write your Examination Number here ⇒



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2008

WEDNESDAY JUNE 18, 2008 – MORNING 9.30 – 12.00

AGRICULTURAL ECONOMICS – HIGHER LEVEL (320 marks)

Answer **fifteen** questions from Part I and **four** questions from Part II. You should not spend more than one hour on Part I.

PART I (120 marks)

Answer **fifteen** questions.
Write the answers in the spaces provided.
All questions carry equal marks.

PART II (200 marks)

Answer **four** questions.
Write the answers in your answer book(s).
All questions carry equal marks (50 marks).
Do **not** write answers to Part II on this question paper.

**REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK(S)
USED TO ANSWER THE QUESTIONS IN PART II.**

PART I (120 marks)

Answer **fifteen** questions.

Write the answers in the spaces provided.

All questions carry equal marks.

1. Why is the Price Elasticity of Demand for Irish lamb in the French market generally higher than in the Irish market? _____

2. Provide up-to-date statistical data concerning the Irish Agricultural Sector as shown below.

% of Irish agricultural land devoted to crop production	
Number of Farm Holdings in Ireland	

3. Explain what is meant by an EU Directive. _____

4. Contrast the output response of a manufacturing firm with a family farm in an economic downturn.

5. In economic theory what does the term **Marginal Product** (MP) mean? _____

6. Explain **one** difference between the Straight Line Method of Depreciation and the Declining Balance Method of Depreciation. _____

7. State **two** implications for Irish agriculture of EU enlargement.

(i) _____

(ii) _____

8. Explain the economic reason why Irish farmers and processors should specialise their production rather than diversify.

9. Explain why **quasi-vertical integration** is not common practice in Irish agriculture.

10. State **two** agricultural examples of technological progress which enable more output to be obtained from a given quantity of resources:
(i) _____ (ii) _____
11. Explain what is meant by the **Capitalised Value** of an Asset. _____

12. What do you understand by the term **cross compliance** in relation to EU agricultural payments?

13. State **two** of the three production periods which are distinguished in discussing supply:
(i) _____ (ii) _____
14. Distinguish between **coupled** and **decoupled** payments in farming. _____

15. Suggest **one** possible advantage of biotechnology with reference to food supply. _____

16. The term **condition of average** in insurance means: _____

17. State **one** advantage of REPS for Irish agriculture. _____

18. Explain how the Irish Farmers Association (IFA) promotes the interests of Irish farmers. _____

19. Outline **two** limitations of the use of a food aid policy to help developing countries.
(i) _____
(ii) _____
20. State **two** reasons for the recent increases in international cereal prices:
(i) _____ (ii) _____

Remember to return this question paper with the answer book(s) used to answer the questions in Part II.

PART II (200 marks)

Answer **four** questions.

Write the answers in your answer book(s).

All questions carry equal marks (50 marks).

Do **not** write answers to Part II on this question paper.

1. (a) Write an account on beef processing in Ireland under **each** of the following headings:
- (i) ownership of processing capacity;
 - (ii) main market outlets;
 - (iii) value added;
 - (iv) competition from non EU producers.
- (b) Outline **two** implications of decoupling for Irish beef producers.

[50 marks]

2. The following is a Balance Sheet for a farm:

Assets	€	Liabilities	€
Fixed	1,250,000	Long-term	250,000
Current or Liquid	300,000	Current	45,000
		Net Worth	?
Total	1,550,000		?

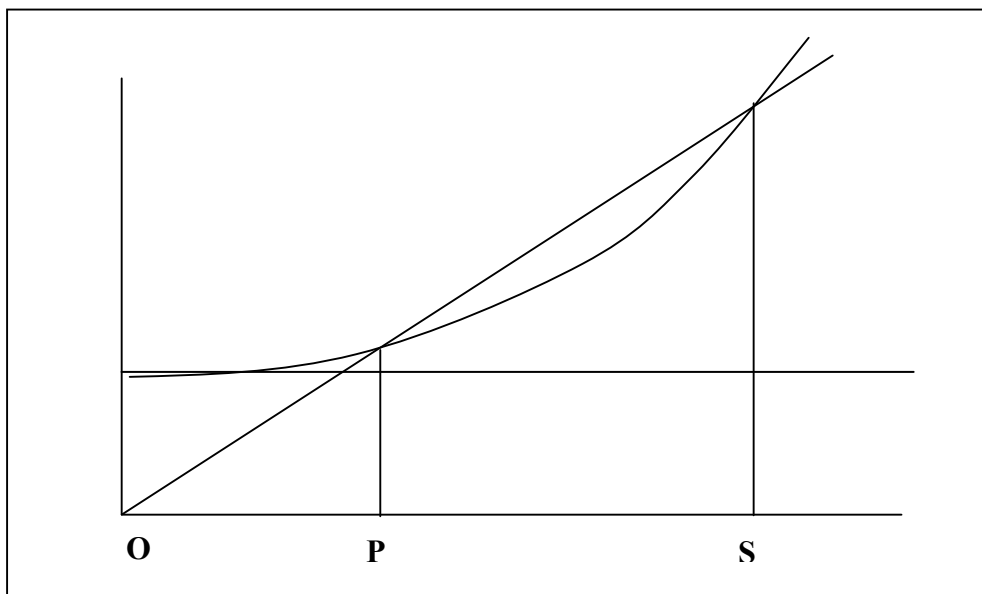
- (a) Calculate total liabilities and net worth from the Balance Sheet above.
- (b) Determine, using a relevant ratio, whether the farm is solvent or bankrupt.
Show your workings **and** explain your answer.
- (c) Explain **three** factors which might influence a bank manager's decision to allow further borrowing.
- (d) Outline **two** reasons why farming requires substantial additional capital over time.

[50 marks]

3. The diagram below shows the relationship between different levels of output on a farm and the associated costs.

(a) Copy this diagram into your answer book and label:

- (i) Axes
- (ii) Fixed Costs (FC)
- (iii) Total Costs (TC)
- (iv) Total Revenue (TR)



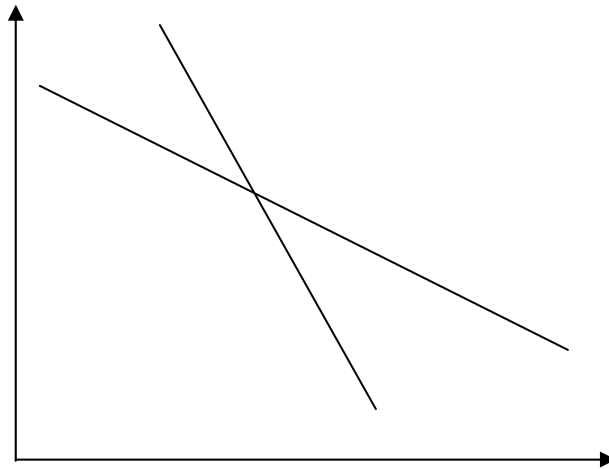
- (b) Using your diagram, explain the reason for the shape of the Total Cost Curve **and** the Total Revenue Curve.
- (c) Explain why is it advisable for the farmer to continue production beyond output level (OP).
- (d) Explain, using the diagram, how the most profitable level of output is identified.

[50 marks]

4. (a) Define the term **price-cost squeeze**.
- (b) Explain the contributions of product demand **and** product supply to a price-cost squeeze, with reference to current trends in Irish farming.
- (c) Outline **three** possible adjustment strategies which may be adopted by farmers in response to the price-cost squeeze.

[50 marks]

5. The diagram below shows two demand curves for butter. One demand curve represents Irish butter demanded in the home market (DH) while the other represents Irish butter demanded in the export market (DE).



- (a) Copy the diagram into your answer book. Label the axes, the demand curve on the home market (DH) and the demand curve on the export market (DE).
- (b) Explain the reason for the shape of **each** demand curve.
- (c) Using a separate diagram, plot and explain the shape of the total demand curve for Irish butter.
- (d) Outline the factors which affect a consumer's demand for a product.

[50 marks]

6. (a) Agricultural prices tend to fluctuate widely over time. Outline the economic reasons for this.
- (b) Explain the term **income gap** and outline the limitations associated with its use as a measurement tool.
- (c) Outline why agricultural incomes may differ under Free Trade *versus* Protection.

[50 marks]

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